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14 January 1971

MEMORANDUM FOR: Special Support Assistant to the Deputy Director for Support

ATTN: [redacted] STAT

SUBJECT: Tax Exemption--CIARDS Disability Annuities

1. In line with your interest this date on subject, there is attached an excerpt from the House Committee hearing on the proposed CIA Retirement Act in which there appears the request from the Chairman of the Ways and Means Committee to defer to that Committee on the provision in the bill exempting disability annuities from Federal income taxes. Also attached from the same source is the language of the provision in question together with a short explanation.

2. As a matter of fact, following this hearing the Ways and Means Committee did not act at all on the proposition even though encouragement was given up until the close of the 88th Congress in late 1964.

3. In the succeeding 89th Congress, after the CIA Retirement Act had become law, the proposition was introduced as a separate bill (H.R. 8815) and referred to the Ways and Means Committee. Again, while prospects for favorable consideration looked bright at the outset, action became ensnared in an overall policy review of the general subject by the Joint Committee on Internal Revenue Taxation. As a consequence, our report to the Ways and Means Committee on the legislation was never cleared by the Bureau of the Budget.

4. The justification for the proposition, in addition to the existing Foreign Service precedent, has been that conditions of service and exposure of CIARDS personnel are such that their disability, like Armed Forces members and Foreign Service personnel, are sufficiently duty connected to warrant exclusion of the resulting annuity from taxation. Bearing

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negatively on the issue is the fact that tax-exempt FECA benefits are already available in performance of duty cases and the general reluctance to extend the existing Foreign Service exemption to any new civilian group in the face of numerous bills introduced every year to provide similar treatment for Civil Service disability annuities.

5. Based on our most recent readings with the Ways and Means Committee, prospects for this type of legislation appear dim, although this doesn't mean we shouldn't give it a try. Moreover, this legislation would probably never be favorably acted upon by the Ways and Means Committee without the concurrence and support of the Office of Management and Budget, Treasury, and possibly the Civil Service Commission.

SIGNED

[redacted] STAT

Assistant Legislative Counsel

Atte

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